

Message Text

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ORIGIN NEA-12

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-03 PA-03

PRS-01 USIA-15 AGR-20 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 IO-13 TAR-02

/181 R

DRAFTED BY NEA/INS:DWBORN:GK

EXT. 20701 8/14/73

APPROVED BY E:WJCASEY

NEA:LBLAINGEN

NEA/INS:DHKUX

EB/IFD/ODF:M

ASSE (SUBS) AID/ASIA/SA:CH

S/S - MR. GAMMON

----- 093554

R 151432Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

INFO AMEMBASSY ISLAMABAD

C O N F I D E N T I A L STATE 161419

E.O. 11652: GDS

TAGS: EFIN, EAID, ETRD, IN

SUBJ: CALL ON UNDER SECRETARY CASEY BY M. G. KAUL

1. SUMMARY: INDIAN FINANCE SECRETARY M. G. KAUL, IN WASHINGTON AUGUST 13, 14 FOLLOWING OTTAWA COMMONWEALTH MEETING, IS CALLING, AT HIS REQUEST, ON UNDER SECRETARY CASEY, TREASURY UNDER SECRETARY VOLCKER, AID/ASIA ASST ADMINISTRATOR MACDONALD, EXIM BANK DIRECTOR KEARNS AND IBRD PRESIDENT MACNAMARA. THIS MESSAGE REPORTS ON CORDIAL MEETING WITH CASEY WHICH COVERED STATUS OF TRADE BILL IN DETAIL AND INCLUDED (1) INSURANCE NATIONALIZATION; (2) CONFIDENTIAL

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ASSISTANCE RELATIONSHIP; (3) DEBT RESCHEDULING; (4) RUPEE

DISCUSSIONS; AND (5) FOOD GRAIN SITUATION. END SUMMARY.

2. M. G. KAUL, ACCOMPANIED BY INDIAN EMBASSY ECONOMIC MINISTER G. V. RAMAKRISHNA, OPENED AUGUST 13 CALL ON UNDER SECRETARY CASEY BY NOTING INDO-U.S. RELATIONS VERY DIFFERENT FROM TWO YEARS AGO AND AGREEING WITH CASEY THAT OUTLOOK NOW RPT NOW ENCOURAGING. RELATIONS HAD BEEN CLOSE IN PAST, KAUL SAID, AND THERE NO RPT NO REASON FOR THEM NOT TO BE CLOSE AGAIN. AMBASSADOR MOYNIHAN HAD STARTED DIALOGUE ON RUPEES AND U.S. OFFER REASONABLE BASIS FOR NEGOTIATING A SOLUTION FAIR TO BOTH SIDES. CASEY NOTED THAT DETAILS OF RUPEE SETTLEMENT WERE TO BE WORKED OUT IN DELHI. AIDE MEMOIRE ON ECONOMIC ASSISTANCE, KAUL CONTINUED, PROVIDED BASIS ON WHICH INDIANS GLAD TO START AID DIALOGUE. FINALLY AIDE MEMOIRE ON TRADE MATTERS ALSO EXPECTED.

3. TRADE BILL STATUS. KAUL THEN SOUGHT UNDER SECRETARY'S VIEWS ON STATUS/OUTLOOK FOR TRADE BILL. RAMAKRISHNA FOLLOWED UP WITH DETAILED QUESTIONS. CASEY EXPLAINED GENERALLY THAT BILL REPRESENTS U.S. EFFORT BE IN POSITION NEGOTIATE GENERAL SCALING DOWN OF TARIFFS AND, WHERE POSSIBLE (AND PROBLEMS GREATEST HERE), REPLACE SELECTED NONTARIFF BARRIERS BY TARIFFS. CASEY THOUGHT CONGRESS GENERALLY SUPPORTED BASIC PURPOSE BEHIND ADMINISTRATION'S REQUEST FOR NEGOTIATING AUTHORITY AND THAT PRESENT EXPECTATION WAS THAT BILL WOULD PASS IN SUBSTANTIALLY ITS PRESENT FORM. KAUL PARTICULARLY INTERESTED IN OUTLOOK FOR GSP AND ANTICIPATED APPLICATION OF SAFEGUARDS PROVIDED FOR IN BILL. SPECIFICALLY, RAMAKRISHNA NOTED THERE NO RPT NO DISTINCTION IN BILL IN APPLICATION OF SAFEGUARDS BETWEEN LDC'S AND DC'S. CASEY EXPECTED SAFEGUARDS TO BE USED SPARINGLY AND ON TEMPORARY BASIS. SAFEGUARDS INTENDED TO PERMIT U.S. PROTECT ITS INDUSTRY AGAINST SUDDEN DISRUPTIONS CAUSED BY IMPORTS.

4. ON NATIONALIZATION OF GENERAL INSURANCE, CASEY RECALLED HE HAD RAISED WITH AMB. T. N. KAUL IN JULY (STATE 141987), QUESTION OF PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION FOR U.S. INSURANCE FIRMS. M.G. KAUL SAID HE WOULD LOOK INTO MATTER PROMPTLY ON HIS RETURN TO DELHI.

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5. ASSISTANCE RELATIONSHIP. KAUL DESCRIBED SELECTED PARAS OF AIDE MEMOIRE GIVEN DHAR JULY 19 (E.G. GOI PRIORITIES TO BE ACCEPTED BY U.S.) NOTED THESE "UNEXCEPTIONABLE", ASKED WHAT WERE THE U.S.' SPECIFIC PROBLEMS/PROGRAMS, AND NOTED ASSISTANCE DIALOGUE RAISED QUESTIONS WHICH WERE PARTLY PHILOSOPHICAL, PARTLY CONCRETE. CASEY SAID U.S. AWAITED WORD FROM GOI IN DELHI. KAUL SAID HE WOULD SEEK EXPEDITE RESPONSE.

6. DEBT RESCHEDULING. CASEY, RECALLING DEBT RESCHEDULING HAD COME UP WITH AMB. KAUL, ASKED GOI VIEW. M. G. KAUL SAID NOTHING NEED HOLD UP DEBT RESCHEDULING IN THIS SECOND YEAR OF WHAT IBRD HAD ORIGINALLY PROPOSED SHOULD BE A TWO-YEAR ARRANGEMENT. ON QUESTION OF SEEKING COMPARABLE RELIEF FROM NON-CONSORTIUM DONORS, KAUL ASKED THAT USG NOT RPT NOT INSIST ON FORMAL WRITTEN ASSURANCES OF WHAT INDIA WILL DO. GOI DID NOT WISH TO BE SEEN TO BE REACTING TO FOREIGN PRESSURES IN ANY APPROACH TO SOVIETS. FURTHERMORE, RUPEE TRADING ARRANGEMENTS WITH EASTERN EUROPEAN DONORS WERE VERY DIFFERENT FROM WESTERN DEVELOPMENT LOAN ASSISTANCE WHICH HAD TO BE REPAYED IN FREE FOREIGN EXCHANGE. OF 13 AID

INDIA CONSORTIUM MEMBERS, ONLY U.S., UK AND CANADA STICK-ING ON QUESTION OF NON-CONSORTIUM DEBT RELIEF. KAUL ARGUED THAT IT NOT RPT NOT APPROPRIATE TAKE UP THIS YEAR NON-CONSORTIUM RELIEF QUESTION WHICH COULD BE LOOKED AT NEXT YEAR IN CONTEXT DISCUSSION OF LONG-TERM DEBT RESCHED-ULING ARRANGEMENT ON WHICH IBRD PREPARING REPORT/RECOMMEN-DATIONS. KAUL ADDED THAT FOR U.S. TO INSIST ON DIRECT LINK BETWEEN U.S. PARTICIPATION IN DEBT RELIEF AND GOI SUCCESSFUL APPROACH NOW RPT NOW TO NON-CONSORTIUM DONORS FOR COMPARABLE BENEFITS WOULD BE QTE COUNTERPRODUCTIVE ENDQTE IN TERMS OF ANY INDO-U.S. ECONOMIC DIALOGUE.

7. FOODGRAIN SITUATION. IN RESPONSE CASEY INQUIRY, KAUL SAID INDIA HAD STOPPED BUYING IN LIGHT IMPROVED HARVEST OUTLOOK IN INDIA AND EXCESSIVELY HIGH U.S. PRICES.

8. FORTY-FIVE MINUTE CONVERSATION CONDUCTED IN CORDIAL AND FRIENDLY ATMOSPHERE. ROGERS

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